ANNUAL REPORT

OF THE

Prince Edward Island

Land Development Corporation

For Year Ending
31 March, 1989

90-05282/

July 20, 1989

The Honourable Keith Milligan
Minister
P.E.I. Land Development Corporation
Charlottetown
Prince Edward Island

Honourable Sir:

In accordance with the Prince Edward Island Land Development Corporation Act, I enclose the report of the Corporation for the fiscal year ended March 31, 1989.

This statement includes the Corporation's audited financial statements for this period.

Respectfully submitted,

Dianne Balderston

Dianne Balderston
Chairperson of the Board

TABLE OF CONTENTS

Letter of Transmittal. 3

Members of the Corporation's Board of Directors. 6

Policy Objective. 7

Program Objectives and Program Areas. 8

Report of the General Manager. 9

Staff of the Corporation. 11

Auditor's Report and Financial Statements. 13

Land Development Corporation Activities 1982-1989. 20

Financial Comparisons 1982-1989. 21

Summary Use of Lands Cumulative to March 31, 1989. 22

MEMBERS OF THE BOARD OF DIRECTORS

PRINCE EDWARD ISLAND
LAND DEVELOPMENT CORPORATION
MARCH 31,1989

CHAIRPERSON	
Ms. Dianne Balderston	Farmer, Crossroads
VICE-CHAIRPERSON	
Ms. Alma MacLennan	Farmer, West Cape
SECRETARY-TREASURER	
*Mr. H. Lloyd Palmer	General Manager
MEMBERS	
Mr. Martin Ching	Farmer, Little Harbour
Ms. Teresa Mellish	P.E.I. Department of Agriculture
Ms. Dale Dewar	P.E.I. Department of Agriculture
Mr. Lloyd S. Blakney	P.E.I. Lending Authority (designate)
ADVISORY MEMBER	
*Mr. John VanAbbema	Farm Credit Corporation Moncton, New Brunswick

*Non-Voting

THE PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

POLICY OBJECTIVE

"TO CONSERVE, DEVELOP AND ASSIST IN IMPROVING THE USE OF LAND IN PRINCE EDWARD ISLAND IN RELATION TO ITS CAPABILITY AND IN ACCORDANCE WITH THE PUBLIC INTEREST, BUT WITH A PRIMARY OBJECTIVE OF CONSOLIDATING GOOD AGRICULTURAL LANDS FOR THE PURPOSE OF INCREASING FARMER AND AGRICULTURAL SECTOR INCOME."

PROGRAM OBJECTIVES

The Land Development Corporation assists efficient farm land reorganization and use by:

(a) purchasing land for farm use, and

(b) assisting farmers who require land by making this land available for sale or lease on reasonable terms.

PROGRAM AREAS

The program areas established in order to carry out these objectives include:

(a) Acquisition of Land:

to acquire land by means of direct cash purchase from farmers desiring to sell their farm properties.

(b) Dispersal of Land:

the mechanisms set up for dispersal of land to farmers include:

(i) Sales - through direct cash, Agreements of Sale or Mortgage

(ii) Renewable five-year lease arrangements with the option to purchase.

GENERAL MANAGER'S REPORT

I am pleased to present the twentieth Annual Report of the Prince Edward Island Land Development Corporation. In this report, I will highlight the activities of the Corporation for the fiscal year ending March 31, 1989.

This past year was my second full year as the Corporation's General Manager. It was gratifying to me that it was the most active year as far as business transactions were concerned since the 1981/82 year. I want to thank the dedicated staff for their input and hard work. Their co-operation was appreciated.

The number of properties purchased during the year remained fairly constant with 1987/88 at 56 compared to 60. However, the number of acres purchased increased by 750 to 7,199 and the value of purchases was at an all time high of $4,435,754. The value of purchases and capital improvements at $5 million dollars was up by close to 20% over the year previous and by 140% over 1986/87.

The number of new and renewed lease agreements was the highest since 1981/82 at 128, up 10% over 1987/88 and the value of new and renewed lease agreements was at an all time high of $6.58 million, up over 25% from 1987/88.

The value of acres leased during the year at $11,187 was by far the highest in the past ten years, up 2,700 acres from last year's previous high figure of $8,450.

The total value of financing to farmers, which included new or renewed leases, mortgages and capital improvements totalled $7.3 million; $1.6 million higher than the $5.7 million in 1987/88 and almost double the $3.8 million of 1986/87. The total assets of the Corporation increased from $27.3 million in 1987/88 to $31.6 million in 1988/89.

These figures indicate that farmers were accepting and utilizing the financial programs offered by the Corporation. A detailed account of these figues for the past seven years appear elsewhere in this report.

During the year, the government announced their intentions to amalgamate the Corporation with the Crop Insurance Agency. A new Agricultural Development Corporation Act was prepared and received Second Reading in the Spring session of the Legislative Assembly but died on the order paper when the provincial election was called. It is expected that the legislation will be introduced at the Spring 1990 sitting of the Legislative Assembly. Arrangements were made to house the staff of the Corporation with the staff of the Crop Insurance Agency. Even without a new Corporation, administrative efficiencies should be achieved by this move.

During the preparation of the budget estimates, government approved the recommendation of the Board of Directors for the implementation of an expanded Lease Back to Vendor Program. The program allows for the purchase of properties from farmers so that they may satisfy all long term and some intermediate and short term financial commitments with the proceeds of the sales, provided

the transactions result in more viable operations.

The original Lease Back to Vendor Program has been evaluated as a very positive program in that a number of farm operations were able to be refinanced and remain in operation rather than being forced out of business. A total of 22 applications were considered under the program with 12 being approved. Management Agreements between the farmer, the Corporation and the Department of Agriculture were signed in an attempt to work closely with these clients on farm and financial management matters.

During the year, Government approved the establishment of a Clerk position which greatly enhanced the administration of the Corporation. Financing was made available for the purchase of new computer equipment for the combined operations of the Corporation and the Crop Insurance Agency.

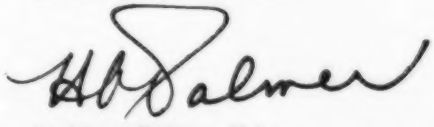
Even though the financial position of the Corporation was improved during this fiscal year, a problem still remains that field staff in the central and eastern region did not have sufficient time to follow up properly on collections and the Administrator was not able to follow up on proper collection procedures. It is a problem that might be addressed when the Crop Insurance Manager position is transferred to LDC to strengthen the field services and when the computer is set up so that administrative procedures become more streamlined.

Arrangements were made at the end of the fiscal year to allow for month-to-month short term borrowings to be termed for a one-year period at a lower interest rate. This change would have the effect of reducing the lease rate by close to 1.5% beginning July 1, 1989. This will make the lease program more attractive to farmers.

I would ask that persons reading this report pay particular attention to the financial statements and accompanying notes. A positive turn-around has occurred in the financial position of the Corporation.

In conclusion, I want to express my thanks to Dianne Balderston, Board Chairperson, for her support and good counsel during the past year as well as all members of the Board of Directors. I wish to also thank the Corporation's Solicitor, Thomas Matheson, for his assistance during the year and to Stan MacPherson, C.A., for his professional assistance related specifically to the Lease Back to Vendor Program. I would also like to thank the Treasury Board and Department of Finance staff for their continued support and the staff of the Provincial Auditor's Office for their excellent co-operation and management advice. It is hoped the Corporation has and will continue to benefit from this co-operative effort in our efforts to service our farming clientele.

Respectfully submitted,



H. Lloyd Palmer, P.Ag.
General Manager

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STAFF

APRIL 1, 1988 - MARCH 31, 1989

H. Lloyd Palmer	General Manager
Cynthia D. Potter	Administrative Assistant
**Diane McCloskey	Clerk
Leonard J. Keefe	Administrator
*Tom Wallis	Administrator
Ernest Hudson	Area Manager
Edgar Coffin	Area Manager
Frank Duguay	Area Manager
George Harris	Area Supervisor

*Mr. Wallis retired in May 1988. The Administrator position had been shared on a part-time basis by both Mr. Wallis and Mr. Keffe. As of this date, Mr. Keefe assumed full responsibility as Administrator for the Corporation.

**Mrs. McCloskey was a casual employee until December 1988 when she became permanent.

AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Land Development Corporation

I have examined the balance sheet of the Prince Edward Island Land Development Corporation as at March 31, 1989 and the statement of revenue and expenses for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations for the year then ended in accordance with the basis of accounting disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

J. Wayne Murphy, C.A.
Auditor General

Charlottetown, Prince Edward Island
May 25, 1989

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET
MARCH 31, 1989

(with comparative figures at March 31, 1988)

ASSETS

	1989	1988
CURRENT ASSETS		
Cash	$ 91,900	$ 465,700
Accounts receivable — Trade — Note 2	2,830,700	2,039,700
Accrued interest	384,500	322,800
Vacant land for sale or lease	3,273,400	1,826,400
Expired leases — Note 3	1,296,400	2,862,700
A.R.D.A. properties — Note 4	16,000	28,500
Mortgages and agreements of sale — Current portion	126,800	128,100
	8,019,700	7,673,900
LONG TERM ASSETS		
Leased property	21,545,300	17,482,700
Mortgages receivable	1,908,300	1,933,300
Agreements of sale receivable	272,000	339,200
	2,180,300	2,272,500
Less: Current portion	126,800	128,100
	2,053,500	2,144,400
	23,598,800	19,627,100
TOTAL ASSETS	$31,618,500	$27,301,000

(Notes 1 to 9 are an integral part of these financial statements)

STATEMENT 1

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 1989

(with comparative figures at March 31, 1988)

LIABILITIES

	1989	1988
CURRENT LIABILITIES		
Accounts payable		
— Province of Prince Edward Island	$ 355,800	$ 1,377,800
— General	27,200	8,100
— A.R.D.A. program — Note 4	16,600	16,200
Deposits on options — Note 5	144,300	138,400
Long term liabilities — Current portion	143,300	129,600
	687,200	1,670,100
LONG TERM LIABILITIES		
Province of Prince Edward Island		
— Notes payable — Note 6	23,843,500	18,393,500
— Loans — Note 7	7,223,100	7,352,700
Less: Current portion	143,300	129,600
	7,079,800	7,223,100
A.R.D.A. deferred profit on acquisition of properties — Note 4	8,000	14,300
	30,931,300	25,630,900
TOTAL LIABILITIES	$31,618,500	$27,301,000

(Notes 1 - 9 are an integral part of these financial statements)

STATEMENT 2

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STATEMENT OF REVENUE AND EXPENSES

YEAR ENDED MARCH 31, 1989

(with comparative figures for the year ended March 31, 1988)

		1989		1988
REVENUE				
Lease income		$ 2,109,200		$ 1,749,000
Interest earned		569,700		503,000
Profit (Loss) on sale of property — Note 8		11,100		(7,000)
Miscellaneous income		13,100		17,400
Wood contracts		14,200		49,500
A.R.D.A. lease income — Note 4		6,800		800
		2,724,100		2,312,700
EXPENSES				
Administration				
Salaries and benefits — Note 9	$ 320,600		$ 293,400	
Office	17,800		17,100	
Travel	16,200		14,200	
General	28,500		24,200	
Board of Directors	7,800	390,900	6,100	355,000
Interest — short term		6,000		3,300
— long term		2,913,900		2,125,500
Bad debt expense		154,000		395,900
Property purchase expense		15,500		21,200
Property maintenance		20,900		34,400
Inventory writedown — Note 1(b)		167,700		371,100
		3,668,900		3,306,400
Excess of Expenses over Revenue		944,800		993,700
Provincial Appropriation —Note 1(a)		944,800		993,700
		$ —		$ —

(Notes 1 to 9 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1989

1. Summary of significant accounting policies:

   (a) Net Income —

   The financial statements of the Corporation do not reflect any net income. Government policy is that the Province of Prince Edward Island will absorb the profits or losses of the Corporation in the year in which they occur.

   (b) Property —

   Leased property is valued at the lower of cost and the lessee's purchase option. Land and buildings held for resale are valued at the lower of cost or appraisal value. It is the policy of the Corporation to recognize gains and losses on properties at the time of disposal, except that where an option to purchase a leased property has been granted below cost, the loss is recognized at the time the option is granted. Also, it is the policy of the Corporation to recognize inventory purchases and sales at the time funds are received or disbursed.

2. Accounts Receivable-Trade:

	1989	1988
Agreements of Sale-principal receivable	$ 40,200	$ 38,000
Agreements of Sale-interest receivable	65,900	78,300
Mortgages-principal receivable	166,000	143,000
Mortgages interest receivable	572,100	489,600
A.R.D.A. lease income receivable	1,400	3,100
Lease income receivable	2,884,800	2,647,000
Miscellaneous	7,800	16,900
	3,738,200	3,415,900
Less: Allowance for doubtful accounts	907,500	1,376,200
	$2,830,700	$2,039,700

The majority of Mortgages, Agreements of Sale, and Leases have March 31 as their due date. Accounts written off in 1989 amounted to $622,657 ($55,028 in 1988).

3. Many of the expired leases have not been renewed or purchased by the lessees because they are seriously in arrears. Corporation policy does not permit renewal or exercise of the option unless the lease account is current. The Corporation does have a number of written agreements with the lessees extending the lease on a short term basis pending the payment of arrears.

4. Title to the A.R.D.A. (Agricultural Rehabilitation and Development Act) properties was transferred to the Corporation during the year ended March 31, 1975. This transfer was made at a nil cost to the Corporation; however, the properties were recorded at their original cost under the A.R.D.A. program. Pursuant to the Federal-Provincial Cost Sharing Agreement half of the transfer amount was reflected as payable to the Federal Government and half as deferred profit to be recognized as the A.R.D.A. properties were sold. In addition, half of any lease income earned from the properties is also payable to the Federal Government.

5. Deposits on Options: Most leases give the lessee the option to purchase the property at a pre-determined price. These deposits represent partial pre-payments of the option price on the leased property.

6. Notes payable are renewed at the beginning of each month with the interest rate charged being the Province's 30 day lending rate. At March 31, 1989 the interest rate charged was 11.86 percent (9.36 percent March 31, 1988). Because the notes are not expected to be re-paid in the near future, they are considered a long term liability.

7. Loans payable, Province of Prince Edward Island, consists of $4,891,000 covered by an agreement between the Province of Prince Edward Island and the Government of Canada. Under this agreement the Prince Edward Island Land Development Corporation is to make re-payment in three installments - the twentieth, twenty-fifth, and thirtieth anniversary dates. For the remaining loans payable, re-payment is to be made on an annual basis to maturity. In total, there are 37 separate loans with varying interest rates between 6 11/16 percent and 13 1/4 percent and maturity dates between 1997 and 2005.

8. Profit on the sale of property for the year ended March 31, 1989 was based on the following:

	1989	1988
Sale of property during the year	$ 684,700	$ 1,237,500
Less: Cost of property sold	673,600	1,244,500
	$ 11,100	$ (7,000)

9. Benefits: The employees of the Land Development Corporation are entitled to pension benefits under the terms of their employment. The employer's share of the benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the financial statements.

LAND DEVELOPMENT CORPORATION ACTIVITIES — 1982 - 1989

	1982 / 83	1983 / 84	1984 / 85	1985 / 86	1986 / 87	1987 / 88	1988 / 89
Number of Purchases	72	40	63	49	25	60	56
Acres Purchased	5,662	4,375	6,127	5,153	2,209	6,450	7,199
Value of Purchases $	3,217,672	2,112,476	3,906,131	3,210,428	1,662,155	3,835,150	4,435,754
Number of Capital Improvements	19	18	18	20	17	29	55
Value of Capital Improvements $	206,335	566,659	168,270	484,119	413,519	380,218	557,183
Total Value Purchases & Improvements	3,424,007	2,679,135	4,074,401	3,694,547	2,075,674	4,215,368	4,992,937
Number of Lease Agreements (New & Renewed)	105	88	106	106	117	116	128
Value of New Leases $	—	2,947,503	3,830,372	4,315,431	3,148,816	5,153,108	6,583,541
Number of Acres Leased	5,408	4,674	6,509	7,343	7,043	8,480	11,187
Number of Mortgages	—	—	18	15	7	6	12
Value of Mortgages $	—	306,037	395,149	572,945	270,526	200,566	190,898
Number of Properties Sold	73	99	73	69	36	78	63
Number of Acres Sold	2,360	4,349	3,343	3,903	1,792	3,348	2,232
Value of Properties Sold $	797,898	2,110,015	1,409,722	1,857,711	852,618	1,408,288	963,411
Value of Financing to Farmers — includes leases, mortgages & improvements	3,647,375	3,820,199	4,393,791	5,372,495	3,832,861	5,733,892	7,331,622

FINANCIAL COMPARISONS

1982 - 1989

	1982 / 83	1983 / 84	1984 / 85	1985 / 86	1986 / 87	1987 / 88	1988 / 89
Property Leased $	9,579,958	11,480,290	13,631,938	15,624,872	14,669,630	17,482,700	21,545,300
Property Held for Resale $	4,036,364	2,787,334	3,292,421	3,141,929	4,871,155	4,689,100	4,569,800
Total Inventory Leased & Held for Resale $	13,616,322	14,267,624	16,924,359	18,766,801	19,540,785	22,171,800	26,115,100
Mortgages & Agreements of Sale — Receivable $ ...	1,615,117	1,700,039	1,867,292	2,045,286	2,126,011	2,144,400	2,180,300
Accounts Receivable $	1,622,984	1,562,866	1,921,615	2,558,617	3,127,123	3,415,900	3,738,200
Allowance for Doubtful Accounts $	142,380	165,020	306,281	471,355	1,035,264	1,376,200	907,500
Net Accounts Receivable ..	1,480,604	1,397,846	1,615,334	2,087,262	2,091,859	2,039,700	2,830,700
Bad Debts — Written Off Cumulative since 1970 ..	27,766	62,212	180,205	263,443	310,852	365,880	900,000

SUMMARY USE OF LANDS

(Cummulative to March 31, 1989)